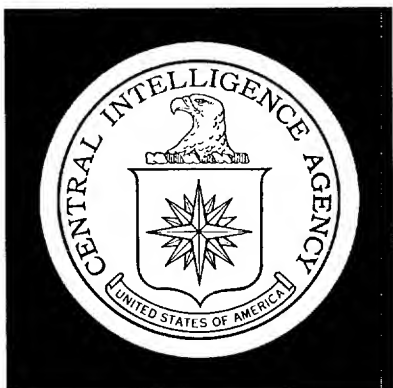


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DIA and DOS review(s) completed.

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COMMUNIST CHINA: Peking's decision to curtail sharply the traditional National Day celebrations of 1 October is probably due to some major internal political developments.

Several foreign press services, attributing their information to diplomatic observers in Peking, have reported that preparations for the major rally scheduled for National Day were inexplicably suspended last week. The cancellation of these festivities is unprecedented. Peking's decision does not appear to have been taken by a plenary session of the party central committee but by a smaller group of central politburo figures.

The most obvious explanation for the regime's reluctance to put on its traditional show, with its mandatory leadership turnout, is that a key member of the ruling politburo might be seriously ill. Mao Tse-tung last appeared on 7 August and his designated heir, Defense Minister Lin Piao, has not been seen since early June. Premier Chou En-lai, Madame Mao, and other important civilian politburo members have made public appearances in the past few days. Despite the fact that frequent public absences by both Mao and Lin are not unusual, Mao has never missed a National Day celebration and his absence from the rostrum would immediately trigger intense speculation concerning his health. At least one Chinese spokesman has already denied that Mao is ill.

Another possible explanation is that the jockeying for position that has been under way within the ruling politburo over the past two years has taken a new turn. Since last March four civilian members of the 25-member politburo have dropped from public view for varying lengths of time and all appear to be in serious political trouble as a result of a prolonged investigation into extremist policies associated with the Cultural Revolution. Recently,

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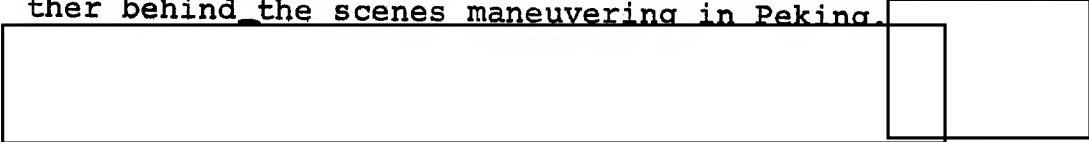
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SOUTH VIETNAM: New acts of violence have increased dangers of serious disorders as the date of the presidential referendum approaches.

Many opposition groups and some political elements not previously aligned against the government are likely to believe the government was responsible for yesterday's apparent attempt on Senator Dat's life. They will cite both the fact that Dat was preparing to offer a formal resolution calling on Thieu to resign and the previous harsh police treatment of antigovernment demonstrators. It is questionable that the government would use such a crude form of intimidation. It seems at least equally likely that either Viet Cong or non-Communist opposition elements staged the attack to generate a sharp increase in political tension.

The bombing of the home of labor leader Tran Quoc Buu is much less likely to be blamed on the government. Buu has generally supported Thieu, and his initial reaction was to conjecture that the Viet Cong were responsible, but the incident will add to the tension in Saigon political circles.

President Thieu has adopted a tough position against militants, hoping to quash agitation in the streets before it becomes more violent. The police invasion last Sunday of a dormitory occupied by radical students was a convincing demonstration of the government's attitude. If some militants refuse to be intimidated, however, the use of force may escalate on both sides.

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WEST GERMANY - USSR: Chancellor Brandt came away from his meeting with Brezhnev last weekend optimistic about Soviet policy toward Western Europe and West Germany.

With an eye to domestic critics, Brandt told Big Three diplomats and the German press that he expects further improvements in bilateral relations even before the German-Soviet treaty of 1970 is ratified. He gained the impression that the Soviets now are prepared to put the finishing touches on long-pending trade and commercial air agreements. Negotiations also will begin on cultural and scientific-technical agreements, and a commission will be set up to promote trade.

Brezhnev reiterated Soviet interest in having the 1970 treaty ratified, but conveyed an unwillingness to prod the East Germans to become more pliable in the inter-German talks. Nevertheless, the joint communiqué reflected a largely West German view of how inter-German relations should evolve. Both leaders expounded their views on the status of the German-language text of the Four-Power Agreement on Berlin. Brandt's close adviser Bahr later told the Western diplomats that he anticipated no breakthrough as a result of the Crimean talks, and that in any case, Pankow could not for appearances' sake back off during the next Bahr-Kohl meeting today.

On East-West questions, Brezhnev projected an impression of flexibility and interest without exerting any pressure on Brandt. He convinced Brandt that Moscow wants a Conference on European Security, but agreed upon Brandt's objection to drop from the communiqué the phrase "in the near future" which Soviet drafters had suggested. On the question of mutual and balanced force reductions, Brezhnev reiterated the Soviet position that the talks should not be limited to the US and USSR or to the area of Germany, and that foreign and indigenous forces should be included--positions generally conforming

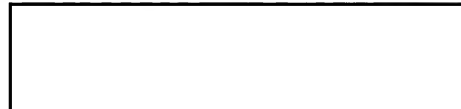
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to NATO's desiderata. In addition, he made a nod toward NATO's concern for "balanced" force reductions by saying that, while he objected to "balanced" as a NATO word, reductions should be effected "without detriment to the participants."

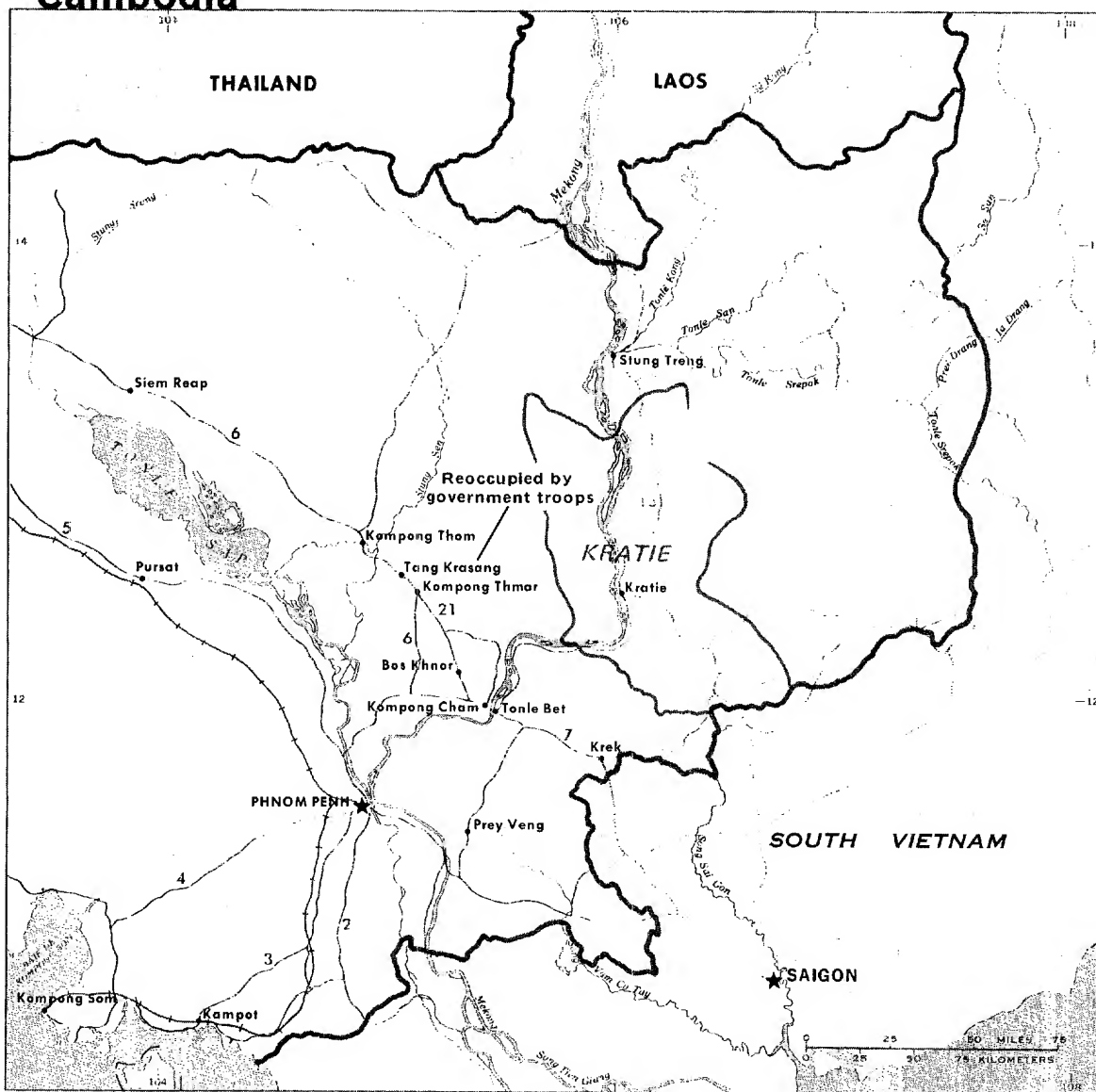


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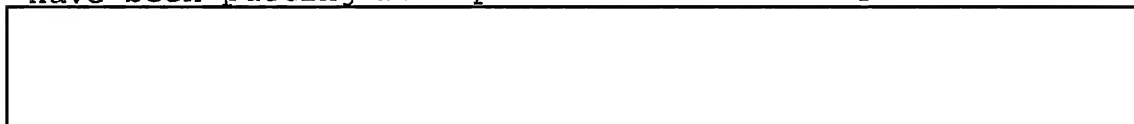
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CAMBODIA: Government forces are continuing their drive to reopen Route 6 to the long-isolated town of Kompong Thom.

The light enemy resistance that the Cambodian Army's Chenla II operation has encountered since it was launched a month ago probably prompted Prime Minister Lon Nol to reverse his earlier decision to halt the drive at Kompong Thmar, at the junction of Routes 6 and 21. Four battalions from the Chenla II task force have now occupied Tang Krasang; they are expected to continue the effort to clear the remaining 15 miles between that town and Kompong Thom.

The success of the Chenla II operation also appears to have stimulated the army high command to begin mapping out similar campaigns to reopen sections of other key highways during the next dry season. A senior army officer recently told the US defense attaché that Phnom Penh's plans call for reoccupying Route 15 north of Prey Veng, reopening Route 7 from Krek to Tonle Bet, and clearing Route 3. The officer also said that Lon Nol is still talking about trying to retake Kratie Province, although other Cambodian leaders recognize that this would be a very difficult undertaking.

The Communists' failure to offer any significant opposition to the Cambodian units on Route 6 has been in keeping with the conservative military posture they have maintained during most of the rainy season. Relying on economy-of-force tactics, they have focused primarily on harassing a number of other main lines of communication. In recent weeks, they have been particularly active in the northwest where they have carried out a series of disruptive actions against Route 5 and the rail line running from Battambang to Phnom Penh. In addition, enemy elements have been putting more pressure on Siem Reap town.



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UN: The Soviet UN Mission for the first time in recent years has been instructed by Moscow to discuss the UN deficit with the other major powers, Secretary General Thant, and outgoing General Assembly President Hambro of Norway.

Hambro also reports French "flexibility" on the issue of the deficits, which stem in large measure from Soviet and French refusal to honor assessments for UN peacekeeping operations of the early 1960s. Neither the Soviets nor the French have indicated what specific amount they may be willing to provide at this time. Presumably, they would want the US to make a simultaneous contribution and would stress the voluntary nature of any action so as not to prejudice their position challenging the legality of those peacekeeping assessments.

Ambassador Malik has been instructed to make whatever pitch the Soviets have in mind. The timing is such, however, that Foreign Minister Gromyko may wish to discuss the matter with Secretary Rogers either Friday or at next Wednesday's Big Four dinner.

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OPEC: The 11 members of the Organization of Petroleum Exporting Countries (OPEC) meet today to plan strategy for securing participation in Western oil company operations within their respective borders. An OPEC working group probably will recommend to the full membership a proposal to seek initially a 20-percent equity in oil production. Participation in transport, refining, and marketing reportedly will not be sought at this time. Today's meeting will set the stage for lengthy bilateral--and predictably acrimonious--negotiations with the wholly-owned subsidiaries of the large foreign oil companies operating in each of the OPEC countries. The meeting also may consider the impact of recent currency revaluations on OPEC price and revenue agreements with Western oil companies.

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UN-CUBA: The UN General Assembly's agenda-setting committee is scheduled to vote today on inscription of a Cuban item on "the colonial case of Puerto Rico." This effort by Havana is its most extensive in years in behalf of Puerto Rican "independence." The Assembly as far back as 1953 recognized that Puerto Rico had attained a "full measure of self-government." If the Cubans fail in their bid in the committee to inscribe, they may appeal Friday to the Assembly itself.

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TRINIDAD AND TOBAGO: The government has decided to purchase a controlling interest in a large foreign-owned flour mill. This will be another step in a policy of low-key reductions in foreign economic influence. The government is attempting to reduce internal pressures for full nationalization that have been triggered by neighboring Guyana's take-over of a foreign-owned bauxite firm. The Canadian Government will finance this purchase and also will replace the US as a supplier of wheat for the mill. Under the proposed arrangement, Ottawa will make a low-interest loan to a Canadian milling firm which will relend the funds to the Trinidad and Tobago Government in exchange for a management contract to operate the plant.

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